

109 FERC ¶ 61,003
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Florida Gas Transmission Company
Docket No. RP04-574-000

Florida Gas Transmission Company
P.O. Box 4657
Houston, TX 77210-4657

Attention: Blair Lichtenwalter
Manager, Rates & Tariffs

Reference: Semi-Annual Fuel Tracker Filing Dated September 1, 2004

Dear Mr. Lichtenwalter:

1. On September 1, 2004, Florida Gas Transmission Company (FGT) filed revised tariff sheets¹ in the captioned docket, with a proposed effective date of October 1, 2004, to change its Fuel Reimbursement Charge Percentage (FRCP) and its Unit Fuel Surcharge (UFS), pursuant to Section 27 of the General Terms and Conditions of its tariff (Section 27). As discussed below, the Commission will accept and suspend the proposed tariff sheets, and permit them to become effective October 1, 2004, subject to refund and condition and further review. This order benefits the public by ensuring that FGT's recovery of system fuel and lost and unaccounted for gas is consistent with its tariff and adequately supported.

Details of FGT's Filing

2. Section 27 authorizes FGT to recover gas used in the operation of its system and gas lost from the system or otherwise unaccounted for, commonly referred to as lost and unaccounted for gas (LAUF). The fuel reimbursement charges authorized by Section 27 consist of the FRCP, designed to recover current fuel usage on an in-kind basis, and the UFS, designed to recover or refund previous under or over collections on a cash basis. Both the FRCP and the UFS are applicable to Market Area deliveries and are effective

¹ Listed in Appendix.

for six-month seasonal periods, beginning each April 1 (for the Summer Period) and October 1 (for the Winter Period).

3. FGT's instant filing proposes to establish an FRCP of 3.27 percent, an increase of 0.41 percent from the previous Winter Period, effective October 1, 2004, based on FGT's actual experience during the period from October 1, 2003 through March 31, 2004. FGT included workpapers detailing the calculation of the FRCP. FGT notes that its reported six-month average for LAUF quantities as a percentage of deliveries, 0.51 percent, is higher than average, but still within the range that it has reported in its semi-annual filings during the past 5 years.² FGT states that "[a]lthough [it] has been unable to identify and quantify specific measurement issues that account for the increase in LAUF during this six-month period, it continues to devote substantial resources to maintain its LAUF within reasonable levels."³

4. FGT's filing also proposes a Winter Period UFS of \$0.0517 per MMBtu to become effective October 1, 2004. This represents an increase of \$0.0458 per MMBtu from the previous Winter UFS of \$0.0059. FGT asserts that there were "two factors which exacerbated FGT's under-retention of fuel during the Ninth Winter Accumulation Period: 1) increased gas prices and 2) prior period adjustments."⁴ FGT also notes that the calculations provided in its filing show that it experienced an under-retention of fuel that valued at posted prices exceeding \$4.50 per MMBtu on a monthly basis, with prices reaching as high as \$6.09 per MMBtu during the six-month period.

5. In its transmittal letter, FGT states that its projected unamortized balance of \$3,521,569.68 in its deferred fuel account for the Eighth Winter Period is largely made up of prior period adjustments (noted above as a cause of the increase in UFS) recorded for October 2003 as follows: two incorrectly invoiced amounts of \$190,043.59 and \$1,437,886.35, and a measurement correction valued at \$1,453,203.21. Additionally, FGT states that its prior Winter Period filing contained an error of \$484,545.96 incorrectly attributed to Market Area backhauls.

Public Notice, Interventions, Protests and Answers

6. Public notice of FGT's filing was issued on September 7, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). Pursuant to Rule 214 (18 C.F.R. § 154.214 (2004)), all timely filed motions to intervene are granted.

² FGT states in the transmittal letter to its filing that its previous LAUF quantities have ranged from negative 0.07 percent to 0.56 percent. FGT transmittal letter at 1.

³ *Id.* at 1-2.

⁴ *Id.* at 2.

7. FGT's filing is protested by Peoples Gas System, a Division of Tampa Electric Company (Peoples). Peoples argues that "FGT's filing represents a large and largely unexplained increase in its rates," and that the large increase in LAUF raises significant questions which the Commission should investigate in a technical conference.⁵ Peoples states that, in particular, the magnitude of and nature and justification for the prior period adjustments claimed by FGT and associated with the UFS must be more fully explored. Peoples states that it does not believe FGT's proposed tariff sheets have been shown to be just and reasonable, and requests that the Commission suspend them pending the outcome of an investigation.

8. On September 16, 2004, FGT filed an answer to Peoples' protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.213(a)(2) (2004)) prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept FGT's answer because it has provided information that assisted us in our decision-making process. In the answer, FGT states that it opposes the request for technical conference, and makes five arguments in support of its filing and in opposition to the protest. First, FGT notes again that the LAUF included in the filing is within the range it had reported in previous semi-annual fuel filings during the past five years. Second, FGT states that it monitors and attempts to correct any LAUF issues. Third, FGT asserts that from a competitive standpoint, it is in FGT's best interest to keep LAUF at a minimum for its shippers. Fourth, FGT contends that the issues related to its LAUF have been thoroughly vetted in previous fuel proceedings, particularly Docket No. RP02-163-002, where its efforts in calculating and controlling LAUF were fully explained.⁶ FGT also notes that "LAUF is the result of a process, and, if LAUF were specifically identifiable, it wouldn't be lost or unaccounted for."⁷ Finally, FGT asserts that it provided in its filing a sufficient explanation of the three prior period adjustments contained in the filing.

Discussion

9. At the outset, the Commission finds that FGT has performed the calculations in this filing consistent with the methodology described in Section 27 of its tariff. Therefore, for the reasons stated below, the Commission accepts and suspends the proposed tariff sheets, and permits them to be effective October 1, 2004, subject to refund and condition and further review.

⁵ Motion of Peoples to Intervene and Protest at 3.

⁶ FGT included in its answer a copy of its filing in the Docket No. RP02-163-002 proceedings, which describes its efforts to calculate and control LAUF.

⁷ Answer of FGT at 3.

10. With regard to Peoples' protest, the Commission believes that a determination on the issues it raises can be reached without the necessity of a technical conference. Regarding the issue of the level of LAUF reflected in the filing, in its answer, FGT states that issues related to its LAUF have been thoroughly examined in other fuel proceedings, notably Docket No. RP02-163-002, and has incorporated its filing in that case into the record in this proceeding. In that proceeding, FGT detailed the process for calculating lost and unaccounted for gas, explained the nature and causes of lost and unaccounted for gas, and discussed why LAUF would vary from period to period. In its order issued June 17, 2002, in that proceeding, the Commission found that FGT's explanation was adequate and that its figures were reasonable and within industry norms.⁸ In light of the fact that the LAUF in this filing is within the range reported by FGT in other proceedings, we find, for the same reasons as in the June 17, 2002 Order, that FGT has supported the LAUF reflected in the instant filing. Accordingly, we find that FGT's answer adequately addresses Peoples' concerns regarding the magnitude of the LAUF reported in this proceeding and reject its request for technical conference regarding the LAUF issue.

11. However, given the size of FGT's claimed prior period adjustments and the lack of a detailed explanation of such adjustments in the filing, we will suspend the tariff sheets and permit them to become effective subject to refund and to the condition that FGT provide additional support for the individual prior period adjustments which make up the \$3,081,889.85 in total prior period adjustments recorded in its deferred fuel account for October 2003. In particular, FGT should include a detailed explanation of, and support for, each such prior period adjustment, including how each prior period adjustment was calculated using corrected volumes and dollar valuations. Such filing shall be made within 30 days of the date of this order.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

⁸ *Florida Gas Transmission Co.*, 99 FERC ¶ 61,334 at p. 62,431 (2002).

APPENDIX

Florida Gas Transmission Company
Docket No. RP04-574-000

Revised Tariff Sheets
to FERC Gas Tariff, Third Revised Volume No. 1
Accepted to be effective October 1, 2004

Sixty-Seventh Revised Sheet No. 8A
Fifty-Ninth Revised Sheet No. 8A.01
Fifty-Ninth Revised Sheet No. 8A.02
Nineteenth Revised Sheet No. 8A.04
Sixty-Second Revised Sheet No. 8B
Fifty-Fifth Revised Sheet No. 8B.01
Eleventh Revised Sheet No. 8B.02